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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING January 1, 2005 AND ENDING December 31, 2005  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Pacific Summit Securities

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

111 Pacifica, Suite 250

Irvine

California

92618

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

James Watts 949 727 2427

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Elizabeth Tractenberg, CPA

(Name - if individual, state last, first, middle name)

3832 Shannon Rd., Los Angeles, CA 90027

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

APR 21 2006

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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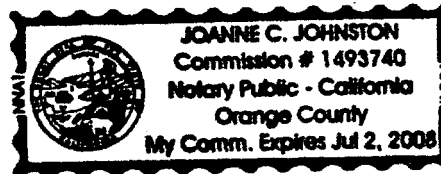
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# OATH OR AFFIRMATION

I, James Watts, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Pacific Summit Securities, as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

[Signature]  
Signature  
President + CEO  
Title

[Signature]  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of ~~Changes in Financial Condition~~ **Cash Flows**
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition ~~with respect to methods of~~ **xxxxxx**
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

ANNUAL AUDIT REPORT

DATE - DECEMBER 31, 2005

PACIFIC SUMMIT SECURITIES

111 Pacifica, Suite 250  
Irvine, CA 926183

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ELIZABETH  
TRACTENBERG CERTIFIED  
PUBLIC  
ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT


Board of Directors  
Pacific Summit Securities  
Irvine, California

I have audited the accompanying statement of financial condition of Pacific Summit Securities (the Company) as of December 31, 2005 and related statements of operations, cash flows, and changes in stockholder's equity for the year then ended. These financial statements are being filed pursuant to Rule 17a-5 of the Securities Exchange Act of 1934 and include the supplemental schedule of the net capital computation required by rule 15c3-1. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, such financial statements referred to above present fairly, in all material respects, the financial condition of the Company as of December 31, 2005 and the results of its operations, cash flows and stockholder's equity for the year then ended in conformity with accounting principles generally accepted in the United States.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplementary Information on pages 9 to 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements but includes supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
February 16, 2006

PACIFIC SUMMIT SECURITIES  
STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2005

ASSETS

Cash - checking	\$ 35,654
Prepaid expenses and deposits	<u>2,473</u>
 TOTAL ASSETS	 <u><u>\$ 38,127</u></u>

LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accrued expenses	\$ 811
Accrued pension plan expense	<u>28,835</u>
TOTAL LIABILITIES	<u><u>29,646</u></u>

STOCKHOLDER'S EQUITY

Common stock (\$0 par value, 1,000 shares authorized, 200 shares issued and outstanding)	\$ 10,000	
Paid-in capital	18,100	
Retained earnings (deficit)	<u>(19,619)</u>	<u>8,481</u>
 TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	 <u><u>\$ 38,127</u></u>	

See Accompanying Notes to Financial Statements

PACIFIC SUMMIT SECURITIES  
STATEMENT OF INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2005

REVENUES

Advisory fees	\$ 22,650
Finance fees	389,809
Other income	<u>604</u>

TOTAL REVENUES	<u>413,062</u>
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DIRECT COSTS

Commissions	83,000
Finders' fees	<u>25,000</u>

TOTAL DIRECT COSTS	<u>108,000</u>
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GROSS PROFITS	305,062
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OPERATING EXPENSES - see page 8	<u>255,239</u>
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INCOME BEFORE TAX	49,823
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PROVISION FOR STATE TAXES	<u>823</u>
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NET INCOME	<u><u>\$ 49,000</u></u>
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See Accompanying Notes to Financial Statements

PACIFIC SUMMIT SECURITIES  
STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Common Stock Shares	Common Stock	Contributed Capital	Retained Earnings (Deficit)	Total
Balance, December 31, 2004	200	\$ 10,000	\$ 18,100	\$ (19,519)	\$ 8,581
Stockholder's contribution			60,000		60,000
Stockholder's distribution			(60,000)	(49,100)	(109,100)
Net Income				49,000	49,000
Balance, December 31, 2005	<u>200</u>	<u>\$ 10,000</u>	<u>\$ 18,100</u>	<u>\$ (19,619)</u>	<u>\$ 8,481</u>

See Accompanying Notes to Financial Statements



PACIFIC SUMMIT SECURITIES  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Flows from Operating Activities:

Net income	\$	49,000
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Changes in operating assets and liabilities:

Accounts receivable		2,357
Prepaid expenses and deposits		(2,273)
Accrued expenses		(2,270)
Accrued pension plan expense		1,566
		1,566

Net cash provided from operating activities		48,380
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Cash Flows from Investing Activities:		0
		0

Cash Flows from Financing Activities:

Capital contribution		60,000
Distribution of capital		(109,100)
Cash Flows from Financing Activities		(49,100)

Net increase in cash		(720)
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Cash at beginning of year		36,374
		36,374

Cash at end of year	\$	35,654
		35,654

SUPPLEMENTAL INFORMATION

Interest paid	\$	0
Income taxes paid	\$	6,287

See Accompanying Notes to Financial Statements

PACIFIC SUMMIT SECURITIES  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005

NOTE 1 - NATURE OF BUSINESS

Pacific Summit Securities, formally South Coast Financial Securities, Inc. (the "Company") was incorporated in the State of California on October 28, 1992 and is registered with the Securities and Exchange Commission as a broker-dealer in securities. On February 8, 1993, the Company became registered as a broker-dealer with the National Association of Securities Dealers, Inc. The Company was primarily engaged in general securities trading of domestic and international equities. Subsequent to the change in ownership in 1999, the Company specializes in private financing and collects transaction fees for their services. In addition, the Company engages in merger and acquisition (M&A) advisory business on a commission basis and also conducts fee based advisory services such as the preparation of valuations and fairness opinions. The Company has one location in Southern California. The Company's customers are located in the United States. All financial transactions are conducted with Accredited Investors and funds are collected and disbursed in escrow accounts maintained by reputed banking institutions, or, in the alternative, funds are wired directly from institutional investors to the account(s) of the issuers.

The Company does not hold customers' funds or securities. As a result, the Company is exempt from certain provisions and requirements under Rule 15c3-3, pursuant to SEC Rule 17a-5(d)(3) of the Securities Exchange Commission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Revenue Recognition** – Investment banking fees are contingent on, and are recognized upon, the successful completion of a project. Investment banking fees are generated from services related to a limited number of transactions. Due to the nature of the Company's business, the size of any one transaction may be significant to the Company's operations for the period. During 2005, revenues were generated from two customers.

**Property, Equipment and Depreciation** - Property and equipment are carried at cost. Depreciation is calculated on the straight-line method over estimated economic lives which are generally five years.

PACIFIC SUMMIT SECURITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income taxes** - The Company elected to be taxed as an S Corporation for Federal and California state income tax purposes. As an S Corporation, Federal and California state taxable income or loss of the Company is allocated to each stockholder in proportion to the stockholder's ownership interest. The appropriate income tax for the allocated share of income is determined by the stockholder's tax status. Additionally, S Corporations are subject to California franchise tax of 1.5% of taxable income.

**Investments** - Investments in securities are valued at cost.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 3 - NET CAPITAL REQUIREMENT

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities and Exchange Act of 1934, the Company is required to maintain a minimum net capital (\$5,000), as defined, under such provisions. See page 9 for the computation of net capital.

NOTE 4 - INCOME TAXES

The Company elected to be taxed as an "S" Corporation whereby the Company's income or loss passes directly to the stockholders. There is a 1.5% state tax with an \$800 minimum. .

PACIFIC SUMMIT SECURITIES  
NOTES TO FINANCIAL STATEMENTS - Continued  
DECEMBER 31, 2005

NOTE 5 - PENSION PLAN

The Company maintains a retirement plan covering substantially all of its employees. Retirement benefits are provided through the Paychex Retirement Benefit Plan. Retirement costs amounted to \$28,835 in fiscal 2005.

The Profit Sharing and Savings Plan is qualified under Section 401(k) of the Internal Revenue Code. The plan allows eligible employees to contribute up to 100% of their compensation. The Company also makes contributions to the plan annually based on profits each year for the benefit of all eligible employees up to a maximum of 25% of employee compensation

NOTE 6 – INFORMATION RELATING TO POSSESSION OR CONTROL  
REQUIREMENTS UNDER RULE 15c3-3

The Company is exempt from the Rule 15c3-3 as it relates to possession and control requirements under the (k)(2)(ii) exemptive provision. The Company does not hold funds, securities or carry accounts for customers. In the opinion of management, The Company has complied the exemptive provisions throughout the year ended December 31, 2005.

PACIFIC SUMMIT SECURITIES  
SCHEDULE OF OPERATING EXPENSES  
DECEMBER 31, 2005

OPERATING EXPENSES

Consulting fees	\$ 34,035
Dues and subscriptions	2,774
Internet	2,157
Marketing and business development	5,954
NASD fees and assessments	1,917
Payroll taxes	8,484
Pension plan expense	28,835
Prior year franchise taxes	4,857
Professional fees	4,740
Rent and utilities	22,053
Salaries and wages	115,835
Travel expense	9,916
Telephone	4,984
All other	<u>8,698</u>
 TOTAL OPERATING EXPENSES	 <u>\$ 255,239</u>

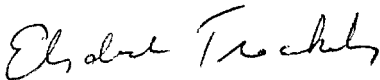
See Accompanying Notes to Financial Statements

ELIZABETH  
TRACTENBERG CERTIFIED  
PUBLIC  
ACCOUNTANT

Independent Auditor's Report on Supplemental Information

Pacific Summit Securities  
Irvine, California

My report on my audit of the basic financial statements of Pacific Summit Securities for December 31, 2005 was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of operating expenses on Page 9 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
February 16, 2006

PACIFIC SUMMIT SECURITIES  
COMPUTATION OF NET CAPITAL REQUIREMENTS PURSUANT  
TO RULE 15c3-1  
DECEMBER 31, 2005

COMPUTATION OF NET CAPITAL

Total ownership equity from statement of financial condition	\$ 8,481
Non allowable assets:	
Prepaid expenses and deposits	<u>(2,473)</u>
NET CAPITAL	<u>\$ 6,008</u>

COMPUTATION OF NET CAPITAL REQUIREMENTS

Minimum net aggregate indebtedness -	
6-2/3% of net aggregate indebtedness	<u>\$ 1,976</u>
Minimum dollar net capital required	<u>\$ 5,000</u>
Net Capital required (greater of above amounts)	<u>\$ 5,000</u>
EXCESS CAPITAL	<u>\$ 1,008</u>

Excess net capital at 1000% (net capital less 10% of aggregate indebtedness)	<u>\$ 3,043</u>
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COMPUTATION OF AGGREGATE INDEBTEDNESS

Total liabilities net of deferred income taxes payable and deferred income	<u>\$ 29,646</u>
Percentage of aggregate indebtedness to net capital	493%

The following is a reconciliation of the above net capital computation with the Company's corresponding unaudited computation pursuant to Rule 179-5(d)(4):

NET CAPITAL PER COMPANY'S COMPUTATION	\$ 6,819
VARIANCE -	
Accrued expenses	<u>(811)</u>
NET CAPITAL PER AUDITED REPORT	<u>\$ 6,008</u>

See Accompanying Notes to Financial Statements

**ELIZABETH** CERTIFIED  
**TRACTENBERG** PUBLIC  
ACCOUNTANT

Independent Auditor's Report  
on Internal Accounting Control Required by SEC Rule 17a-5

Board of Directors  
Pacific Summit Securities  
Irvine, California

In planning and performing my audit of the financial statements of Pacific Summit Securities (hereafter referred to as the "Company") for the year ended December 31, 2005, I have considered its internal control structure, including procedures for safeguarding securities, in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, and not to provide assurance on the internal control structure.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission, I have made a study of the practice and procedures (including tests of compliance with such practices and procedures) followed by the Company that I considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (aggregate debts) and net capital under Rule 17a-5(a)(11) and for determining compliance with the exemptive provisions of Rule 15c-3. I did not review the practice and procedures followed by the Company: (1) in making the quarterly securities examinations, counts, verifications, and comparisons, and recordation of differences required by Rule 17a-13; (2) in complying with the Governors of Federal Reserve System; or (3) in obtaining and managing physical possession or control of all fully paid and excess margin securities of customers, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structures and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practice and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide responsibility and safeguard against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in accordance with generally accepted accounting principles.



Board of Directors  
Pacific Summit Securities  
Irvine, California

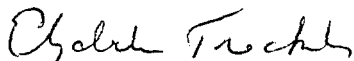
Rule 171-5(g) lists additional objectives of the practice and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with them may deteriorate.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be a material weakness under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relationship to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, I noted no matters involving the accounting system and control procedures that I considered to be material weaknesses as defined above. In addition, the Company, was in compliance with the exemptive provisions of Rule 15c3-3 as of December 31, 2005 and no facts came to my attention indicating that such conditions had not been complied with during the year then ended.

I understand that the practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures were adequate on December 31, 2005 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies which rely on Regulation 17a-5(g) under the Securities Exchange Act of 1934, and should not be used for any other purposes.



Elizabeth Tractenberg, CPA  
Los Angeles, California  
February 16, 2006